

PELLA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2014

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**Pella Community School District
Board of Education and School District Officials
Year Ended June 30, 2014**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Joan Corbin	President	2013
Martin Wesemann	Vice President – Resigned January 2013	2015
Gregg Gustafson	Vice President – Effective February 2013	2013
Katie Peterson	Board Member	2015
Timothy Tripp	Board Member	2015
Gary Coppock	Board Member	2015
(After September 2013 Election)		
Joan Corbin	President	2017
Gregg Gustafson	Vice President	2017
Timothy Tripp	Board Member	2015
Gary Coppock	Board Member	2015
Michelle Van Maanen	Board Member	2017
School District Officials		
Greg Ebeling	Superintendent	2014
Roger De Waard	District Secretary/Treasurer	2014
Ahlers & Cooney	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Pella Community School District
Pella, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Pella Community School District, Pella, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Pella Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pella Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of the Pella Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pella Community School District's internal control over financial reporting

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 3, 2014

Management Discussion and Analysis

The Pella Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues for FY14 were \$21,532,684 compared to \$20,721,201 for FY13. This was an increase of \$811,483 or 3.92%.
- General Fund expenditures for FY14 were \$21,940,898 compared to \$20,626,684 for FY13. This was an increase of \$1,314,214 or 6.37%.
- The District's General Fund unassigned fund balance for FY14 was \$2,228,838 compared to \$2,579,485 for FY13. This was a decrease of \$350,647 or 13.59%.
- The Financial Solvency Ratio is an accepted measure of the district's financial health and is calculated by taking the undesignated, unreserved fund balance divided by the total revenues. This ratio decreased from 12.44% in FY13 to 10.35% in FY14. The District attempts to target a solvency ratio between 5% and 10%.
- The District ended FY14 with a special education deficit of \$530,398. This compares to \$782,520 for FY13, a decrease of \$252,122.
- In general, the 2013-2014 School Year was a difficult one financially. A decrease in student enrollment coupled with increasing costs caused a slight erosion of district resources. While the financial measures of the district remain at healthy levels, it will be incumbent upon management to remain diligent in managing future budgets and resources. While the on-going stability and predictability of future funding remains somewhat questionable, the district continues to be well positioned to withstand these challenges.
- A ten year comparison of the District's assessed valuations, tax increment financing and total tax rates are as follows:

Year	Assessed Valuation	Tax Increment Financing	Total Tax Rate - %
2012-2013	\$ 708,484,429	15,028,484	14.36515
2011-2012	621,722,509	52,619,101	14.21433
2010-2011	603,931,771	49,332,363	13.99439
2009-2010	603,548,029	34,192,965	13.83649
2008-2009	551,197,053	58,983,585	13.84418
2007-2008	478,010,818	72,596,699	13.88073
2006-2007	470,138,907	68,740,308	13.41259
2005-2006	463,535,140	66,071,157	13.52362
2004-2005	458,097,534	65,307,399	13.57896
2003-2004	477,138,783	60,053,193	13.31915
2002-2003	470,594,593	46,139,452	13.15690
2001-2002	442,301,775	31,155,430	13.66552

The assessed valuation for the 2004-2005 school year dropped due to the state imposed agriculture rollback.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

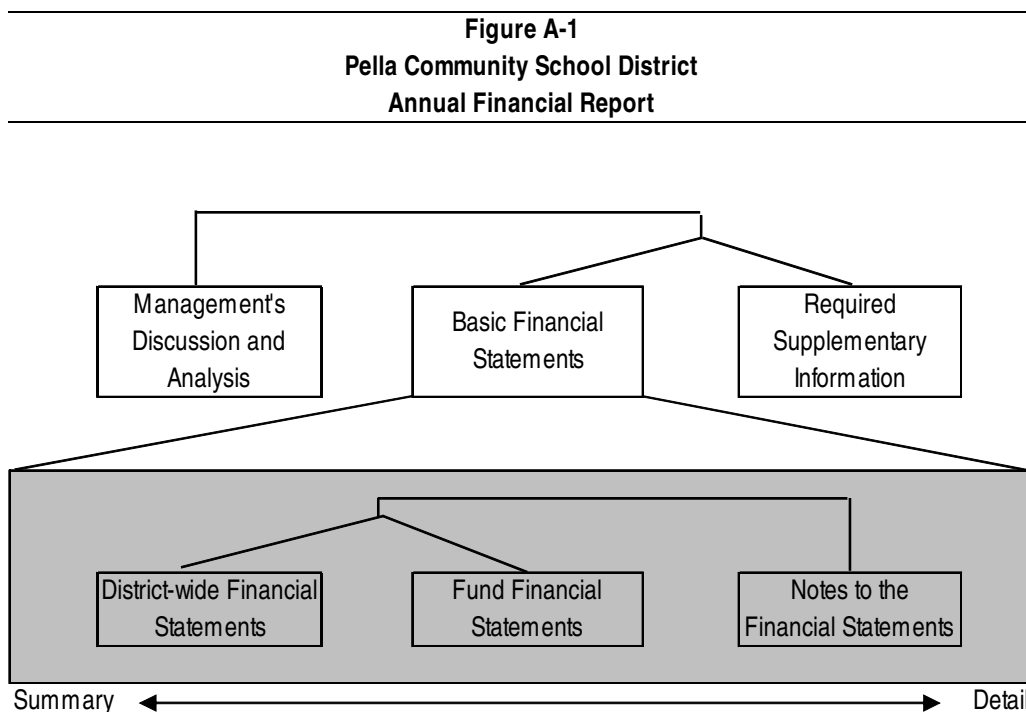


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of Net Position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses and changes in fund net position * Statement of cash	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Community Services	Special Projects

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school food service program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

Fiduciary funds: The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net position – Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2014 compared to 2013.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business type activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current assets	\$45,891,732	\$29,482,865	365,572	442,967	46,257,304	29,925,832	54.6%
Noncurrent assets	34,366,176	31,021,158	160,156	191,976	34,526,332	31,213,134	10.6%
Total assets	80,257,908	60,504,023	525,728	634,943	80,783,636	61,138,966	32.1%
Current liabilities	6,225,773	4,839,101	2,838	10,359	6,228,611	4,849,460	28.4%
Noncurrent liabilities	36,700,176	20,848,878	57,962	47,998	36,758,138	20,896,876	75.9%
Total liabilities	42,925,949	25,687,979	60,800	58,357	42,986,749	25,746,336	67.0%
Deferred inflows of resources	10,997,800	10,234,882	-	-	10,997,800	10,234,882	7.5%
Net Position:							
Invested in capital assets, net of related debt	11,594,236	18,985,991	160,156	191,976	11,754,392	19,177,967	-38.7%
Restricted	13,174,610	3,819,537	-	-	13,174,610	3,819,537	244.9%
Unrestricted	1,565,313	1,775,634	307,772	384,610	1,873,085	2,160,244	-13.3%
Total Net Position	\$26,334,159	24,581,162	467,928	576,586	26,802,087	25,157,748	6.5%

The District's combined net position increased by 6.5 % from \$25,157,748 to \$26,802,087.

**Pella Community School District
Management's Discussion and Analysis
Year ended June 30, 2014**

Changes in net position – Figure A-4 shows the changes in net position for the year ended June 30, 2014

**Figure A-4
Changes in Net Position**

	Governmental activities		Business type activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for services	\$ 1,792,027	\$ 1,877,142	713,691	769,758	2,505,718	2,646,900	-5.33%
Operating grants and contributions	3,424,103	2,886,698	322,278	326,910	3,746,381	3,213,608	16.58%
General Revenues:							
Local taxes	11,128,270	10,131,601	-	-	11,128,270	10,131,601	9.84%
Statewide sales, services and use tax	1,983,485	2,045,168	-	-	1,983,485	2,045,168	-3.02%
Unrestricted state grants	9,033,981	9,028,760	-	-	9,033,981	9,028,760	0.06%
Investment earnings	104,706	82,059	1,179	1,412	105,885	83,471	26.85%
Other	333,942	245,420	-	-	333,942	245,420	36.07%
Total revenues	27,800,514	26,296,848	1,037,148	1,098,080	28,837,662	27,394,928	5.27%
Expenses:							
Program expenses:							
Instruction	16,924,990	16,036,643	-	-	16,924,990	16,036,643	5.54%
Support services - students & staff	1,924,667	1,708,065	-	-	1,924,667	1,708,065	12.68%
Support services - administration	1,861,274	1,738,223	-	-	1,861,274	1,738,223	7.08%
Operations and maintenance	2,285,585	2,145,431	-	-	2,285,585	2,145,431	6.53%
Transportation	1,148,336	1,008,461	-	-	1,148,336	1,008,461	13.87%
Non-instructional activities	32,585	84,396	1,145,806	1,189,839	1,178,391	1,274,235	-7.52%
Other expenditures	1,870,080	1,625,142	-	-	1,870,080	1,625,142	15.07%
Total expenses	26,047,517	24,346,361	1,145,806	1,189,839	27,193,323	25,536,200	6.49%
Change in Net Position	\$ 1,752,997	\$ 1,950,487	(108,658)	(91,759)	1,644,339	1,858,728	-11.53%

Governmental Activities

Local taxes and unrestricted state grants account for 72.5 percent of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 92.7 percent of the total expenses.

Revenues for governmental activities were \$27,800,514 and expenses were \$26,047,517, resulting in a net asset increase of \$1,752,997.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5
Total and Net Cost of Governmental Activities**

	Total Cost of Services		Change	Net Cost of Services		Change
	2014	2013	2013-2014	2014	2013	2013-2014
Instruction	\$16,924,900	\$16,036,643	5.5%	12,770,914	12,262,163	4.1%
Support services	7,219,862	6,600,180	9.4%	7,026,475	6,443,141	9.1%
Non-instructional programs	32,585	84,396	-61.4%	32,585	84,396	-61.4%
Other expenses	1,870,080	1,625,142	15.1%	1,001,413	792,821	26.3%
Totals	\$26,047,427	\$24,346,361	7.0%	20,831,387	19,582,521	6.4%

- The cost financed by users of the District's programs was \$1,792,027.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,424,103.
- The net cost of governmental activities was financed with \$11,128,270 in local taxes, \$9,033,981 in unrestricted state grants, \$1,983,485 in local option sales and services tax, \$104,706 in interest income and \$333,942 in other income.

Business-Type Activities

Revenues of the District's business-type activities were \$1,037,148 and expenses were \$1,145,806. The District's business-type activities include Families First and the School Nutrition Fund. The School Nutrition Fund, however, accounts for 95.1 percent of the business-type activity. Revenues of these activities were comprised of \$663,354 in charges for service, \$322,278 for federal and state reimbursements and investment income of \$1,137. The net position for business-type activities decreased by \$108,658.

Financial Analysis of the District's Funds

As previously noted, the Pella Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$30,609,944. This compares to \$16,133,484 last year, an increase of \$14,476,460. This fund balance includes \$9,307,475 in restricted fund balance held for the future retirement of long-term debt and \$17,780,450 in restricted fund balance held for school infrastructure projects. Without those restricted amounts the fund balance decreased \$1,013,653. This decrease was due to increased expenditures in the general and capital projects funds.

Governmental Fund Highlights

- The General Fund balance decreased \$400,461 from \$3,242,480 to \$2,842,019.
- The Activity Fund balance increased \$24,494 from \$267,742 to \$292,236.
- The Management Fund balance increased \$68,225 from \$300,236 to \$368,461.
- The Physical Plant & Equipment Levy (PPEL) Fund balance decreased \$317,394 from \$336,697 to \$19,303.
- The Statewide Sales, Services and Use Tax Fund balance increased \$340,444 from \$2,552,085 to \$2,892,529. The Statewide Sales, Services and Use Tax generated \$1,983,485. The District receives money from Jasper, Mahaska and Marion Counties. Interest income was \$7,660.
- The Debt Service Fund balance decreased \$126,752 from \$9,434,227 to \$9,307,475. In April, 2013 the district received voter approval to issue an additional 29.1 million GO Bond to fund facility improvements. School Infrastructure Local Option Sales Taxes will be used to maintain a debt service levy of \$2.72/\$1,000 or less, which is \$.50 more than the FY13 rate.

Proprietary Fund Highlights

The District's Proprietary Funds include the School Nutrition Fund and Families First.

- The School Nutrition Fund net position decreased \$113,383, from \$565,370 to \$451,987.
- Families First is a community services oriented program. The revenues and expenditures of this program also run through the District's financial accounting records. This program is dependent upon contributions, grants and some user fees for its operation. The balance in this fund increased \$4,725 from \$11,216 to \$15,941.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 45 and 46.

Legal Budgetary Highlights

The District's total actual receipts were \$1,086,025 more than the total budgeted receipts, a variance of 3.9%. Total expenditures were \$2,456,539 more than the total budgeted expenditures, a variance of 7.9%.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the District had invested \$34,526,333, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, musical instruments, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,811,121.

The original cost of the District's capital assets was \$59,385,539. Governmental funds account for \$58,327,256 with the remaining \$1,058,283 in the School Nutrition Fund.

Figure A-6 Capital Assets, net of Depreciation							
	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 1,949,558	1,690,900	-	-	1,949,558	1,690,900	15.3%
Construction in progress	3,799,543	-	-	-	3,799,543	-	100.0%
Buildings	23,858,475	24,327,698	-	-	23,858,475	24,327,698	-1.9%
Improvements other than buildings	2,284,639	2,441,987	-	-	2,284,639	2,441,987	-6.4%
Furniture and equipment	2,473,961	2,491,984	160,157	191,976	2,634,118	2,683,960	-1.9%
Totals	\$34,366,176	30,952,569	160,157	191,976	34,526,333	31,144,545	10.9%

Long-Term Debt

At June 30, 2014, the District had \$37,310,000 in general obligation bonds and other long-term debt. This is an increase of \$17,110,000 from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations, net of premiums and discounts**

	June 30,		Total
	2014	2013	Change
General obligation bonds	\$37,187,027	20,131,410	84.7%
Revenue bonds	-	725,000	-100.0%
Capital lease	472,834	701,578	100.0%
Early retirement	447,308	579,806	-22.9%
Compensated absences	32,765	32,822	-0.2%
Other postemployment benefits	743,954	592,587	25.5%
Totals	\$38,883,888	22,763,203	70.8%

The District had total outstanding bonded indebtedness at June 30, 2014 of \$37,310,000. This represents four separate bond issues, one of which will be refunded in 2015. The second bond issue will be used to refund the first issue in 2015. The proceeds from this issue are currently being held in escrow until the refunding occurs. The final two bond issues are being used to finance infrastructure improvements approved by the voters in 2013.

The District also has a long-term debt obligation for its early retirement plan, which was \$447,308 at June 30, 2014. Retiring employees are currently allowed to receive payments until they reach age 65. This obligation is paid from the District's Management Fund. Other postemployment benefits total \$743,954.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The October, 2014 enrollment reduced again by 28 students. This decrease will reduce funding for the 2015-2016 school year. Supplemental State Aid has not been set for 2015-2016, so any future funding to help offset this decrease in enrollment is unknown at this time.
- The District's transportation fleet remains in good shape overall. This past year two buses and two support vehicles were purchased.
- The District was approved as one of 37 Iowa School Districts to receive the Teacher Leadership and Compensation Grant from the State of Iowa. This money is being used to create a teacher leadership structure and resulted in the addition of many new positions. This also allowed some cost shifting for the 2014-2015 school year which will help offset some of the lost revenue from declining enrollment.
- Pella is home to the corporate headquarters of Pella Corporation and Vermeer Manufacturing. The current economic environment seems to have stabilized, and neither Pella Corporation nor Vermeer Manufacturing has experienced any layoffs of employees in the past year. The property tax base remains solid and housing starts continue at an increased rate from the previous several years.
- The Pella Community School District is very unique in that it does not have a collective bargaining agreement with its teachers. There continues to be a very amicable relationship between management and labor.
- There were no significant changes in leadership during the past year.
- All in all, the 2013-2014 school-year was a challenging year financially. The 2014-2015 school year seems manageable at this point thanks to increased funding from the Teacher Leadership and Compensation Grant and overall improved funding, however the District remains cautious about any potential adverse action by the Legislature or a continuing trend of decreased enrollment that could negatively impact funding.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roger DeWaard, Business Manager, Pella Community School District, 210 E. University, P.O. Box 468, Pella, Iowa, 50219.

Basic Financial Statements

Exhibit A

Pella Community School District
Statement of Net Position
June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 32,726,888	346,602	33,073,490
Receivables:			
Property tax:			
Delinquent	42,700	-	42,700
Succeeding year	10,997,800	-	10,997,800
Accounts	69,601	-	69,601
Due from other governments	2,037,621	-	2,037,621
Inventories	17,122	18,970	36,092
Total current assets	45,891,732	365,572	46,257,304
Noncurrent assets:			
Capital assets:			
Capital assets, nondepreciable	5,749,101	-	5,749,101
Capital assets, depreciable, net	28,617,075	160,156	28,777,231
Total noncurrent assets	34,366,176	160,156	34,526,332
Total assets	80,257,908	525,728	80,783,636
Liabilities			
Current liabilities:			
Accounts payable	1,407,685	190	1,407,875
Medical claims payable	39,884	-	39,884
Salaries and benefits payable	1,790,687	2,648	1,793,335
Advances from Grantors	761,625	-	761,625
Accrued interest payable	97,142	-	97,142
Capital leases payable	233,822	-	233,822
General obligation bonds payable	1,636,288	-	1,636,288
Early retirement	225,875	-	225,875
Compensated absences	32,765	-	32,765
Total current liabilities	6,225,773	2,838	6,228,611
Noncurrent liabilities:			
Capital leases payable	239,012	-	239,012
General obligation bonds payable	35,550,739	-	35,550,739
Early retirement	221,433	-	221,433
Other post employment benefits	688,992	54,962	743,954
Total noncurrent liabilities	36,700,176	54,962	36,755,138
Total liabilities	42,925,949	57,800	42,983,749
Deferred Inflows of Resources			
Unavailable property tax revenues	10,997,800	-	10,997,800

Exhibit A**Pella Community School District
Statement of Net Position
June 30, 2014**

	Governmental Activities	Business Type Activities	Total
Net Position			
Net investment in capital assets	11,594,236	160,156	11,754,392
Restricted for:			
Categorical funding	596,059	-	596,059
Physical plant and equipment levy	19,303	-	19,303
Management levy purposes	147,028		
Student activities	292,236	-	292,236
School infrastructure	2,892,529	-	2,892,529
Debt service	9,210,333	-	9,210,333
Purpose restricted	17,122	-	17,122
Unrestricted	1,565,313	307,772	2,020,113
Total net position	\$ 26,334,159	467,928	26,802,087

See notes to financial statements.

Exhibit B

Pella Community School District
Statement of Activities
Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 10,223,433	781,071	1,634,787	(7,807,575)	-	(7,807,575)
Special	3,212,563	236,578	459,383	(2,516,602)	-	(2,516,602)
Other	3,488,994	758,430	283,827	(2,446,737)	-	(2,446,737)
	16,924,990	1,776,079	2,377,997	(12,770,914)	-	(12,770,914)
Support Service:						
Student	525,165	-	-	(525,165)	-	(525,165)
Instructional staff	1,399,502	-	-	(1,399,502)	-	(1,399,502)
Administration	1,861,274	-	-	(1,861,274)	-	(1,861,274)
Operating and maintenance of plant	2,285,585	15,948	-	(2,269,637)	-	(2,269,637)
Transportation	1,148,336	-	177,439	(970,897)	-	(970,897)
	7,219,862	15,948	177,439	(7,026,475)	-	(7,026,475)
Non-instructional programs	32,585	-	-	(32,585)	-	(32,585)
Other expenditures:						
Long-term debt interest	1,001,413	-	-	(1,001,413)	-	(1,001,413)
AEA flowthrough	868,667	-	868,667	-	-	-
	1,870,080	-	868,667	(1,001,413)	-	(1,001,413)
Total governmental activities	26,047,517	1,792,027	3,424,103	(20,831,387)	-	(20,831,387)
Business type activities:						
Non-instructional programs:						
Community services	45,654	50,337	-	-	4,683	4,683
Nutrition services	1,100,152	663,354	322,278	-	(114,520)	(114,520)
Total business type activities	1,145,806	713,691	322,278	-	(109,837)	(109,837)
Total primary government	\$ 27,193,323	2,505,718	3,746,381	(20,831,387)	(109,837)	(20,941,224)

Exhibit B

Pella Community School District
Statement of Activities
Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Totals continued from previous pages	<u>\$ 27,193,323</u>	<u>2,505,718</u>	<u>3,746,381</u>	(20,831,387)	(109,837)	(20,941,224)
General Revenues:						
Property tax levied for:						
General purposes				8,430,120	-	8,430,120
Debt service				1,974,479	-	1,974,479
Capital outlay				723,671	-	723,671
Statewide sales, services and use tax				1,983,485	-	1,983,485
Unrestricted state grants				9,033,981	-	9,033,981
Unrestricted investment earnings				104,706	1,179	105,885
Contributions not restricted to specific programs				48,372	-	48,372
Gain on disposal of capital assets				7,753	-	7,753
Other				277,817	-	277,817
Total general revenues				22,584,384	1,179	22,585,563
Change in net position				1,752,997	(108,658)	1,644,339
Net position beginning of year				24,581,162	576,586	25,157,748
Net position end of year				<u>\$ 26,334,159</u>	<u>467,928</u>	<u>26,802,087</u>

See notes to financial statements.

Exhibit C

Pella Community School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets					
Cash and pooled investments	\$ 4,143,537	9,299,298	18,306,976	878,961	32,628,772
Receivables:					
Property tax:					
Current year delinquent	29,095	8,114	2,974	2,517	42,700
Succeeding year	7,500,530	2,081,876	765,394	650,000	10,997,800
Accounts	21,410	-	6,500	41,691	69,601
Due from other governments	1,465,490	63	572,049	19	2,037,621
Inventories	17,122	-	-	-	17,122
Total assets	\$ 13,177,184	11,389,351	19,653,893	1,573,188	45,793,616
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 285,253	-	1,088,746	33,686	1,407,685
Salaries and benefits payable	1,787,757	-	-	2,930	1,790,687
Early retirement payable	-	-	-	225,875	225,875
Total liabilities	2,073,010	-	1,088,746	262,491	3,424,247
Deferred inflows of resources					
Unavailable revenues:					
Succeeding year property tax	7,500,530	2,081,876	765,394	650,000	10,997,800
Succeeding year income surtax	761,625	-	-	-	761,625
Total deferred inflows of resources	8,262,155	2,081,876	765,394	650,000	11,759,425
Fund balances:					
Nonspendable for:					
Inventories	17,122	-	-	-	17,122
Restricted for:					
Categorical funding	596,059	-	-	-	596,059
Debt service	-	9,307,475	-	-	9,307,475
Management levy purposes	-	-	-	368,461	368,461
Student activities	-	-	-	292,236	292,236
School infrastructure	-	-	17,780,450	-	17,780,450
Physical plant and equipment	-	-	19,303	-	19,303
Unassigned	2,228,838	-	-	-	2,228,838
Total fund balances	2,842,019	9,307,475	17,799,753	660,697	30,609,944
Total liabilities, deferred inflows of resources and fund balances	\$ 13,177,184	11,389,351	19,653,893	1,573,188	45,793,616

See notes to financial statements.

Exhibit D

Pella Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2014

Total fund balances of governmental funds (Exhibit C) **\$ 30,609,944**

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 34,366,176

The Internal Service Fund is used by management to charge the costs of partial self funding of the District's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 58,232

Long-term liabilities, including bonds and notes payable, compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

General obligation bonds payable	\$	(37,310,000)	
Revenue bonds payable		-	
Capital lease		(472,834)	
Bond discounts, net		307,846	
Bond premiums, net		(184,873)	
Accrued interest		(97,142)	
Early retirement		(447,308)	
Portion of early retirement reflected on governmental funds		225,875	
Compensated absences		(32,765)	
Other post employment benefits		(688,992)	
		(688,992)	(38,700,193)

Net position of governmental activities (Exhibit A) **\$ 26,334,159**

See notes to financial statements.

Exhibit E

Pella Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2014

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 7,829,985	1,974,479	723,671	600,135	11,128,270
Tuition	863,556	-	-	-	863,556
Other	337,163	46,102	68,451	862,808	1,314,524
State sources	11,784,884	564	1,983,692	175	13,769,315
Federal sources	717,096	-	-	-	717,096
Total revenues	21,532,684	2,021,145	2,775,814	1,463,118	27,792,761
Expenditures:					
Current:					
Instruction:					
Regular instruction	9,225,324	-	110,069	316,350	9,651,743
Special instruction	3,013,007	-	-	-	3,013,007
Other instruction	2,540,408	-	-	836,451	3,376,859
	14,778,739	-	110,069	1,152,801	16,041,609
Support services:					
Student services	493,929	-	-	1,148	495,077
Instructional staff services	1,205,604	-	109,241	689	1,315,534
Administration services	1,683,418	-	109,067	7,294	1,799,779
Operation and maintenance of plant services	2,028,474	-	63,313	168,796	2,260,583
Transportation services	882,067	-	245,702	39,671	1,167,440
	6,293,492	-	527,323	217,598	7,038,413
Other expenditures:					
Facilities acquisition	-	-	4,514,930	-	4,514,930
Long-term debt:					
Principal	-	2,838,744	-	-	2,838,744
Interest and fiscal charges	-	958,370	-	-	958,370
AEA flowthrough	868,667	-	-	-	868,667
	868,667	3,797,114	4,514,930	-	9,180,711
Total expenditures	21,940,898	3,797,114	5,152,322	1,370,399	32,260,733
Excess (deficiency) of revenues over (under) expenditures	(408,214)	(1,775,969)	(2,376,508)	92,719	(4,467,972)

Exhibit E

Pella Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year ended June 30, 2014

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources:					
Proceeds from sale of assets	7,753	-	-	-	7,753
General obligation bond proceeds	-	-	18,995,000	-	18,995,000
General obligation bond premium			192,922		192,922
General obligation bond discount			(251,243)		(251,243)
Operating transfers in	-	1,649,217	-	-	1,649,217
Operating transfers out	-	-	(1,649,217)	-	(1,649,217)
Total other financing sources	7,753	1,649,217	17,287,462	-	18,944,432
Net change in fund balances	(400,461)	(126,752)	14,910,954	92,719	14,476,460
Fund balances beginning of year	3,242,480	9,434,227	2,888,799	567,978	16,133,484
Fund balances end of year	\$ 2,842,019	9,307,475	17,799,753	660,697	30,609,944

See notes to financial statements.

Exhibit F

Pella Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2014

Net change in fund balances - total governmental funds (Exhibit E) **\$ 14,476,460**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 5,188,466	
Less current year depreciation	(1,774,859)	3,413,607

Fixed assets acquired by capital lease are shown as an expenditure and other financing source in the governmental funds. Equipment financed by the lease was capitalized and is being depreciated. The capital outlay for the assets purchased by the lease must be added to the Statement of Activities, the other financing source must be removed from the Statement of Activities and principal payments are applied to the lease liability. Current year items are as follows:

Payments of capital lease principal	228,744
-------------------------------------	---------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

Proceeds from general obligation bonds received	(18,995,000)	
Discounts on general obligation bonds	251,243	
Premiums on general obligation bonds	(192,922)	
Repayments of bond and note principal	2,610,000	
Amortization of discounts	(11,986)	
Amortization of premiums	8,049	(16,330,616)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(39,106)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	90,022	
Compensated absences	57	
Other postemployment benefits	(144,403)	(54,324)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in Net Position of the Internal Service Fund is reported with governmental activities.

58,232

Change in net position of governmental activities (Exhibit B)	\$ 1,752,997
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See notes to financial statements.

Exhibit G

Pella Community School District
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business Type Activities Non-Major Enterprise Funds	Governmental Activities Internal Service Fund
Assets		
Current assets:		
Cash and investments	\$ 346,602	98,116
Inventories	18,970	-
Total current assets	365,572	98,116
Noncurrent assets:		
Property and equipment:		
Machinery and equipment	1,058,282	-
Accumulated depreciation	(898,126)	-
Total noncurrent assets	160,156	-
Total assets	\$ 525,728	98,116
Liabilities		
Current liabilities:		
Accounts payable	\$ 190	-
Medical claims payable	-	39,884
Salaries and benefits payable	2,648	-
Total current liabilities	2,838	39,884
Noncurrent liabilities:		
Other postemployment benefits	54,962	-
Total liabilities	57,800	39,884
Net Position		
Net investment in capital assets	160,156	-
Unrestricted	307,772	58,232
Total Net Position	467,928	58,232
Total liabilities and net position	\$ 525,728	98,116

See notes to financial statements.

Exhibit H

Pella Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	Business Type Activities Non-Major Enterprise Funds	Governmental Activities Internal Service Fund
Operating revenue:		
Local sources:		
Operating revenues	\$ 713,691	279,031
Operating expenses:		
Instructional programs:		
Support services:		
Administrative services:		
Services	-	220,799
Non-instructional programs:		
Community service operations:		
Other	45,654	-
Food service operations:		
Depreciation	36,262	-
Other	1,063,890	-
Total operating expenses	1,145,806	220,799
Operating income (loss)	(432,115)	58,232
Non-operating revenue:		
Local sources	1,179	-
State sources	8,044	-
Federal sources	314,234	-
Total non-operating revenue	323,457	-
Change in net position	(108,658)	58,232
Net position beginning of year	576,586	-
Net position end of year	\$ 467,928	58,232

See notes to financial statements.

Exhibit I
**Pella Community School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014**

	Business Type Activities Non-Major Enterprise Funds	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 663,354	-
Cash received from service tuition, fees and other sources	50,337	279,031
Cash payments to employees for services	(540,624)	-
Cash payments to suppliers for goods or services	(502,647)	(180,915)
Net cash provided by (used by) operating activities	(329,580)	98,116
Cash flows from non-capital financing activities:		
State grants received	8,044	-
Federal grants received	254,424	-
Net cash provided by non-capital financing activities	262,468	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,442)	-
Net cash used by capital and related financing activities	(4,442)	-
Cash flows from investing activities:		
Interest on investments	1,179	-
Sale of investments	45,585	-
Net cash provided by investing activities	46,764	-
Net increase (decrease) in cash and cash equivalents	(24,790)	98,116
Cash and cash equivalents at beginning of year	367,528	-
Cash and cash equivalents at end of year	\$ 342,738	98,116
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ (432,115)	58,232
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities	59,810	-
Depreciation	36,262	-
Decrease in inventories	2,954	-
Decrease in prepaid expense	4,066	-
(Decrease) in accounts payable	(9,539)	-
Increase in medical claims payable	-	39,884
Increase in salaries and benefits payable	2,018	-
Increase in other postemployment benefits payable	6,964	-
Net cash provided by (used by) operating activities	\$ (329,580)	98,116
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:		
Current assets:		
Cash and investments	\$ 346,602	98,116
Less items not meeting definition of cash equivalents:		
Iowa Schools Joint Investment Trust	(3,864)	-
Cash and cash equivalents at year end	\$ 342,738	98,116

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received federal commodities valued at \$59,810.

See notes to financial statements.

Exhibit J**Pella Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014**

	Private Purpose Trust	Expendable Trust
	Scholarship	Special Projects
Assets		
Current assets:		
Cash and pooled investments	\$ 89,621	63,660
Total assets	89,621	63,660
Liabilities		
Current liabilities:		
Accounts payable	-	-
Total liabilities	-	-
Net position		
Held in trust for scholarships and special projects	89,621	63,660
Total Net Position	\$ 89,621	63,660

See notes to financial statements.

Exhibit K**Pella Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014**

	Private Purpose Trust	Expendable Trust
	Scholarship	Special Projects
Additions:		
Local sources:		
Contributions and donations	\$ -	58,096
Interest	484	-
Total revenues	484	58,096
Deductions:		
Instruction:		
Supplies	-	55,347
Other	5,000	-
Total expenditures	5,000	55,347
Change in net position	(4,516)	2,749
Net position beginning of year	94,137	60,911
Net position end of year	\$ 89,621	63,660

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Pella Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Pella, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Pella Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Pella Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

The District reports the following non-major proprietary funds:

The Enterprise, Community Services fund accounts for child after school operations and for community-family service operations authorized by Iowa Code 298A.12 and 279.49.

The Enterprise School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and change in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Expendable Trust Fund is used to account for assets held by the District for special projects of the District with funds given by individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that had a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The District has invested funds in the Iowa Schools Joint Investment Trust (ISJIT). ISJIT is an investment pool managed by the trustee, Bankers Trust, which allows governments within the State to pool their funds for investment purposes. ISJIT is registered with the SEC as an investment company and operates in a manner consistent with Rule 2a-7 of the

Investment Company Act of 1940. Investments in ISJIT are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction and other expenditures functions.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Pella Community School District
Notes to Financial Statements
June 30, 2014

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the following:

Iowa Schools Joint Investment Trust:	
Diversified Portfolio	\$ 3,863
US Treasury Notes	9,270,827
	<u>\$ 9,274,690</u>

Interest rate risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

Credit risk. The investments in the Iowa Schools Joint Investment Trust is rated Aaa by Moody's Investors Service. The fair value of the District's position in these programs is the same as the value of the program shares. The District is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa, and certain joint investment trusts. The District may also invest in commercial paper or other short-term corporate debt that matures within two hundred seventy days that is rated in the highest classification, as established by at least one of the standard rating services approved by the superintendent of banking by rules adopted pursuant to Chapter 17A, provided that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.

Concentration of credit risk. The District's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet all anticipated cash requirements. The District's policy further restricts investments in short-term corporate debt and commercial paper to no more than 30 percent of the investment portfolio of the District and no more than 5 percent of the investment portfolio can be invested in the securities of a single issuer.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Chapter 12c of the Code of Iowa requires all District funds be deposited into an approved depository and be either insured or collateralized.

(3) Interfund Transfers

The *detail* of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,649,217
		<u>\$ 1,649,217</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Pella Community School District
Notes to Financial Statements
June 30, 2014

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,690,900	258,658	-	1,949,558
Construction in progress	-	3,799,543	-	3,799,543
Total capital assets not being depreciated	1,690,900	4,058,201	-	5,749,101
Capital assets being depreciated:				
Buildings	36,098,768	422,886	-	36,521,654
Improvements other than buildings	3,841,104	50,961	-	3,892,065
Furniture and equipment	11,618,720	656,418	110,702	12,164,436
Total capital assets being depreciated	51,558,592	1,130,265	110,702	52,578,155
Less accumulated depreciation for:				
Buildings	11,771,070	892,109	-	12,663,179
Improvements other than buildings	1,399,117	208,309	-	1,607,426
Furniture and equipment	9,126,736	674,441	110,702	9,690,475
Total accumulated depreciation	22,296,923	1,774,859	110,702	23,961,080
Total capital assets being depreciated, net	29,261,669	(644,594)	-	28,617,075
Governmental activities capital assets, net	\$ 30,952,569	3,413,607	-	34,366,176
Business type activities:				
Furniture and equipment	\$ 1,053,840	4,443	-	1,058,283
Less accumulated depreciation	861,864	36,262	-	898,126
Business type activities capital assets, net	\$ 191,976	(31,819)	-	160,157

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 971,715
Special education	167,285
Other	138,015

Support services:

Student support	27,808
Instructional staff	83,708
Administration	93,135
Operation and maintenance of plant	89,151
Transportation	197,176

Non-instructional programs

Total depreciation expense - governmental activities	\$ 1,774,859
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Business type activities:

Food services	\$ 36,262
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Pella Community School District
Notes to Financial Statements
June 30, 2014

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 20,200,000	18,995,000	1,885,000	37,310,000	1,645,000
General obligation bond discounts, net	(68,590)	(251,243)	(11,987)	(307,846)	(18,358)
General obligation bond premiums, net	-	192,922	8,049	184,873	9,646
Subtotal	20,131,410	18,936,679	1,881,062	37,187,027	1,636,288
Revenue bonds	725,000	-	725,000	-	-
Capital leases	701,578	-	228,744	472,834	233,822
Early retirement	579,806	135,853	268,351	447,308	225,875
Compensated absences	32,822	32,765	32,822	32,765	32,765
Other postemployment benefits	544,589	144,403	-	688,992	-
Total governmental activities	\$ 42,846,615	38,186,379	5,017,041	76,015,953	3,765,038
Business type activities:					
Other postemployment benefits	\$ 47,998	6,964	-	54,962	-

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Bond Issue of June 1, 2005				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2015	4.00%	\$ 715,000	460,675	1,175,675
2016	4.00%	750,000	432,075	1,182,075
2017	4.50%	775,000	402,075	1,177,075
2018	4.50%	810,000	367,200	1,177,200
2019	4.50%	850,000	330,750	1,180,750
2020	5.00%	885,000	292,500	1,177,500
2021	5.00%	925,000	248,250	1,173,250
2022	5.00%	970,000	202,000	1,172,000
2023	5.00%	1,015,000	153,500	1,168,500
2024	5.00%	1,065,000	102,750	1,167,750
2025	4.50%	1,100,000	49,500	1,149,500
Subtotal		9,860,000	3,041,275	12,901,275

Crossover Refunding Bond Issue of May 1, 2012				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2015		\$ -	174,765	174,765
2016	1.10%	915,000	174,765	1,089,765
2017	1.10%	920,000	164,700	1,084,700
2018	1.35%	925,000	154,580	1,079,580
2019	1.55%	945,000	142,092	1,087,092
2020	1.75%	955,000	127,445	1,082,445
2021	1.90%	965,000	110,732	1,075,732
2022	2.10%	985,000	92,398	1,077,398
2023	2.20%	1,000,000	71,712	1,071,712
2024	2.35%	1,025,000	49,713	1,074,713
2025	2.50%	1,025,000	25,625	1,050,625
	Subtotal	9,660,000	1,288,527	10,948,527

Bond Issue of July 15, 2013				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.00%	\$ 315,000	200,660	515,660
2016	2.00%	320,000	194,360	514,360
2017	2.00%	330,000	187,960	517,960
2018	2.00%	335,000	181,360	516,360
2019	2.00%	340,000	174,660	514,660
2020	2.00%	350,000	167,860	517,860
2021	2.00%	355,000	160,860	515,860
2022	2.00%	365,000	153,760	518,760
2023	2.00%	370,000	146,460	516,460
2024	2.10%	375,000	139,060	514,060
2025	2.50%	385,000	131,185	516,185
2026	2.75%	445,000	121,560	566,560
2027	3.00%	460,000	109,322	569,322
2028	3.00%	470,000	95,523	565,523
2029	3.00%	485,000	81,422	566,422
2030	3.00%	500,000	66,873	566,873
2031	3.15%	515,000	51,872	566,872
2032	3.25%	530,000	35,650	565,650
2033	3.35%	550,000	18,425	568,425
	Subtotal	7,795,000	2,418,832	10,213,832

Pella Community School District
Notes to Financial Statements
June 30, 2014

Bond Issue of June 2, 2014				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.00%	\$ 615,000	316,531	931,531
2016	2.00%	100,000	305,112	405,112
2017	2.00%	100,000	303,113	403,113
2018	2.00%	100,000	301,112	401,112
2019	2.00%	100,000	299,113	399,113
2020	2.00%	100,000	297,112	397,112
2021	2.00%	100,000	295,113	395,113
2022	2.00%	100,000	293,112	393,112
2023	2.50%	100,000	291,113	391,113
2024	2.50%	100,000	288,612	388,612
2025	3.00%	100,000	286,113	386,113
2026	3.00%	250,000	283,112	533,112
2027	3.00%	250,000	275,613	525,613
2028	3.00%	250,000	268,112	518,112
2029	3.00%	300,000	260,613	560,613
2030	3.13%	300,000	251,612	551,612
2031	3.25%	1,525,000	242,238	1,767,238
2032	3.50%	1,585,000	192,675	1,777,675
2033	3.50%	1,640,000	137,200	1,777,200
2034	3.50%	2,280,000	79,800	2,359,800
	Subtotal	9,995,000	5,267,131	15,262,131
Total				
Year ending June 30,	Principal	Interest	Total	
2015	\$ 1,645,000	1,152,631	2,797,631	
2016	2,085,000	1,106,312	3,191,312	
2017	2,125,000	1,057,848	3,182,848	
2018	2,170,000	1,004,252	3,174,252	
2019	2,235,000	946,615	3,181,615	
2020	2,290,000	884,917	3,174,917	
2021	2,345,000	814,955	3,159,955	
2022	2,420,000	741,270	3,161,270	
2023	2,485,000	662,785	3,147,785	
2024	2,565,000	580,135	3,145,135	
2025	2,610,000	492,423	3,102,423	
2026	695,000	404,672	1,099,672	
2027	710,000	384,935	1,094,935	
2028	720,000	363,635	1,083,635	
2029	785,000	342,035	1,127,035	
2030	800,000	318,485	1,118,485	
2031	2,040,000	294,110	2,334,110	
2032	2,115,000	228,325	2,343,325	
2033	2,190,000	155,625	2,345,625	
2034	2,280,000	79,800	2,359,800	
Total	\$ 37,310,000	12,015,765	49,325,765	

Crossover Refunding Bonds May 1, 2013

On May 1, 2012, the District issued \$9,660,000 in general obligation bonds to advance refund \$9,145,000 of outstanding general obligation bonds dated June 1, 2005 in a crossover type refunding. The proceeds of the refunding issue have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest due on the Series 2005 bonds ("refunding bonds") after June 1, 2015 and interest on the Series 2012 bonds ("refunding bonds") through June 1, 2015. The new refunding bonds have been added to the appropriate financial statements and schedules. The district remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2014, \$9,860,000 of such bonds are outstanding. The district remains liable for the principal and interest on the non-callable portion of the bonds through fiscal year end 2015. The escrow fund pays interest on the new advance refunding bonds until that time. No advance payments on the June 1, 2005 general obligation bonds were paid in the current year and final payment to pay off these bonds is expected to take place June 1, 2015. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$955,557 and resulted in an economic gain of \$816,170.

Capital Leases

The district purchased \$945,897 of computer equipment through capital leasing arrangements in the capital projects fund in fiscal 2013. The computer equipment is used primarily in the classroom and includes software. The District paid an initial down payment of \$244,319 in fiscal 2013.

The future minimum lease obligations as of June 30, 2014, are as follows:

	Year ending June 30,	Capital Projects Fund
	2015	\$ 244,319
	2016	244,319
Total minimum lease payment		488,638
Amount representing interest		(15,804)
Present value of minimum lease payments		<u>\$ 472,834</u>

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement incentive for each eligible employee is based on a percentage of the employee's final year's salary. The percentage used for calculation is based on years of service to the District. The percentage varies from 38% for 10 years of service to 57% for 15 or more years of experience.

Early retirement benefits are paid monthly over the number of months until the employee turns 65. If the retiree is of an age that these monthly payments would exceed 36 months, the retiree may request payment over 36 months.

At June 30, 2014, the District has obligations to 26 participants with a total liability of \$447,308. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$261,405.

(6) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 379 active and 26 retired members in the plan. Participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 years within the 12 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	187,332
Interest on net OPEB obligation		14,815
Adjustment to ARC		(40,496)
Annual OPEB cost		161,651
Contributions made		(10,283)
Increase in net OPEB obligation		151,368
Net OPEB obligation beginning of year		592,587
Net OPEB obligation end of year	\$	743,955

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$10,283 to the medical plan. Plan members eligible for benefits contributed 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 133,198	38.40%	\$ 210,507
June 30, 2011	161,651	13.33%	325,178
June 30, 2012	135,325	12.83%	443,141
June 30, 2013	162,728	8.16%	592,587
June 30, 2014	161,651	6.36%	743,955

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2014, the actuarial accrued liability was \$1,102,880, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,102,880. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$12,877,091, and the ratio of the UAAL to covered payroll was 8.6%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$449 per month for retirees who have attained age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,228,103, \$1,114,815, and \$1,005,537, respectively, equal to the required contributions for each year.

(8) Risk Management

Pella Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$868,667 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Approved Bond Issue

On April 2, 2013 the voters approved the issuance of up to \$29,100,000 in general obligation bonds. In July 2013, \$9,000,000 in general obligation bonds were issued and in June 2014, \$9,995,000 of general obligation bonds were issued.

The bond issue includes:

- Redesign entrances at the high school, middle school and Jefferson so all visitors enter through the main office for security measures. Other safety and security issues will be addressed as well (security cameras, door access/card readers, interior door locks, etc.)
- Build, furnish and equip a new elementary building to replace the current Lincoln Elementary School (location will be decided by School Board after reviewing survey results)
- Build, furnish and equip a career academy building (this will be a partnership between DMACC, Pella Community Schools, Pella Christian High School – students will be able to receive dual credit in ten career readiness areas of need.)
- Significant improvements will be made to the high school – common area, drop off/pick up, arts addition (including art department, choir room, scene shop, etc.), athletic renovation/addition (including wrestling room addition, fitness/weight room expansion, locker room addition/renovation), administration addition, bring faculty up to code for Americans with Disabilities Act
- Improvements to the middle school include: removal of three classrooms and create learning centers, renovate restrooms, replace partition walls with full height walls to resolve acoustic issue, add additional classroom space
- Improvements at Madison will be focused on the playground area (green space and drainage)
- At this time, the District is very aware of the heating/cooling and air ventilation issues. The Board, through other funds, plan to address these issues in the near future.

(11) Commitments and Contingencies

The District has signed contracts for upgrades as follows:

Project	Projected Cost	Costs Incurred
Lincoln Elementary*	\$ 14,046,229	624,942
Jefferson Intermediate Improvements	615,247	577,230
Middle School Improvements	5,763,101	2,135,851
High School Improvements	185,000	92,115
Career Academy	5,539,833	369,405
	<u>\$ 26,149,410</u>	<u>3,799,543</u>

*Contracts are not yet signed

12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

Pella Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Change in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 13,306,350	714,870	14,021,220	15,644,114	15,644,114	(1,622,894)
Intermediate sources	-	-	-	25,000	25,000	(25,000)
State sources	13,769,315	8,044	13,777,359	11,279,770	11,279,770	2,497,589
Federal sources	717,096	314,234	1,031,330	795,000	795,000	236,330
Total revenues	27,792,761	1,037,148	28,829,909	27,743,884	27,743,884	1,086,025
Expenditures:						
Instruction	16,041,609	-	16,041,609	15,280,561	15,700,000	(341,609)
Support services	7,038,413	-	7,038,413	6,537,276	7,050,000	11,587
Noninstructional programs	-	1,145,806	1,145,806	1,165,000	1,200,000	54,194
Other expenditures	9,180,711	-	9,180,711	4,009,648	7,000,000	(2,180,711)
Total expenditures	32,260,733	1,145,806	33,406,539	26,992,485	30,950,000	(2,456,539)
Excess (deficiency) of revenues over (under) expenditures	(4,467,972)	(108,658)	(4,576,630)	751,399	(3,206,116)	(1,370,514)
Other financing sources, net	18,944,432	-	18,944,432	25,000	25,000	18,919,432
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	14,476,460	(108,658)	14,367,802	776,399	(3,181,116)	17,548,918
Balances beginning of year	16,133,484	576,586	16,710,070	16,979,602	16,979,602	(269,532)
Balances end of year	\$ 30,609,944	467,928	31,077,872	17,756,001	13,798,486	17,279,386

See accompanying independent auditor's report.

Pella Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2014

(1) Basis of Presentation

The District operates within the budget requirements for school districts as specified by state law and as prescribed by the Iowa Department of Management. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

For the fiscal year beginning July 1, a proposed budget is adopted by the Board and filed with the County Auditor no later than April 15. The budget is certified by the County Auditor to the Department of Management.

Once adopted, the budget can be amended by the Board. The amendment must be published and a public hearing conducted prior to the amendment. Any amendments must be certified to the County Auditor no later than May 31. The proposed expenditure budget is advertised in the local newspaper, together with a notice of public hearing.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the functional area for a budgeted governmental, enterprise and private purpose trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on four major classes of expenditures known as functional areas. These four functional areas are instruction, support services, non-instructional programs and other expenditures. During the year ended June 30, 2014, the District over-expended the instruction programs functional area by \$341,609 and the other expenditures functional area by \$2,180,711. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. Authorized expenditures cannot exceed the lesser of the certified budget plus any allowable amendments, or the authorized budget, which is the sum of the District's cost for that year plus the actual miscellaneous income received for that year plus the actual unspent balance from the preceding year. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

The District is required by the Code of Iowa to budget for its share of media, education services and special education support provided through the local area education agency. The District's actual amount for this purpose totaled \$868,667 for the year ended June 30, 2014.

Pella Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	835,783	835,783	0.0%	\$ 10,942,327	7.6%
2010	July 1, 2008	-	835,783	835,783	0.0%	11,192,612	7.5%
2011	July 1, 2010	-	935,693	935,693	0.0%	11,304,748	8.3%
2012	July 1, 2010	-	938,941	938,941	0.0%	11,553,658	8.1%
2013	July 1, 2012	-	1,134,207	1,134,207	0.0%	11,868,905	9.6%
2014	July 1, 2012	-	1,102,880	1,102,880	0.0%	12,877,091	8.6%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

**Pella Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014**

	Special Revenue Funds		
	Management	Student Activity	Total
Assets			
Cash and pooled investments	\$ 599,101	279,860	878,961
Receivables:			
Property tax:			
Current year delinquent	2,517	-	2,517
Succeeding year	650,000	-	650,000
Accounts	-	41,691	41,691
Due from other governments	19	-	19
Total assets	\$ 1,251,637	321,551	1,573,188
Liabilities, Deferre Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,371	29,315	33,686
Salaries and benefits payable	2,930	-	2,930
Early retirement payable	225,875	-	225,875
Total liabilities	233,176	29,315	262,491
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	650,000	-	650,000
Total deferred inflows of resources	650,000	-	650,000
Fund balances:			
Restricted for:			
Management levy purposes	368,461	-	368,461
Student activities	-	292,236	292,236
Total fund balances	368,461	292,236	660,697
Total liabilities, deferred inflows of resources and fund equity	\$ 1,251,637	321,551	1,573,188

See accompanying independent auditor's report.

Schedule 2

**Pella Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2014**

	Special Revenue Funds		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax:			
Property tax	\$ 593,948	-	593,948
Utility tax replacement excise tax	5,834	-	5,834
Mobile home tax	353	-	353
	600,135	-	600,135
Other local sources:			
Interest on investments	1,863	1,020	2,883
Student activities	-	756,611	756,611
Other	-	103,314	103,314
	1,863	860,945	862,808
	601,998	860,945	1,462,943
State sources:			
Revenue in lieu of taxes :			
Military credit	175	-	175
Total revenues	602,173	860,945	1,463,118
Expenditures:			
Current:			
Instruction:			
Regular	316,350	-	316,350
Other	-	836,451	836,451
	316,350	836,451	1,152,801
Support services:			
Student services	1,148	-	1,148
Instructional staff services	689	-	689
Administration	7,294	-	7,294
Operation and maintenance of plant	168,796	-	168,796
Student transportation	39,671	-	39,671
	217,598	-	217,598
Total expenditures	533,948	836,451	1,370,399
Excess (deficiency) of revenues over (under) expenditures	68,225	24,494	92,719
Fund balances beginning of year	300,236	267,742	567,978
Fund balances end of year	\$ 368,461	292,236	660,697

See accompanying independent auditor's report.

Schedule 3

Pella Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Booster/PTO Concessions	\$ 30,264	79,476	84,128	25,612
HS Drama	2,503	6,259	8,762	-
HS Speech	-	2,380	2,380	-
HS Debate	-	100	-	100
HS Vocal	26,969	81,187	74,839	33,317
HS Instr. Music	2,616	2,718	2,231	3,103
Marching Dutch Invitational	11,739	17,771	15,903	13,607
HS Instr. Music Fundraiser-Band Trip	2,890	153,558	84,086	72,362
Orchestra	-	2,169	2,169	-
Vocal Music Trip Account	6,885	50,353	41,570	15,668
Band Uniform	36,248	21,515	57,763	-
Athletics	-	44,228	29,551	14,677
HS Boys Bask.	-	10,630	10,630	-
HS Football	-	44,676	44,676	-
HS Boys Soccer	-	7,582	7,582	-
HS Baseball	-	21,304	21,304	-
HS Track	-	1,653	1,653	-
HS Boys Cross Country	-	1,249	1,249	-
HS Boys Tennis	-	381	381	-
HS Boys Golf	-	36	36	-
HS Wrestling	-	3,602	3,602	-
HS Girls Basketball	-	9,336	9,336	-
HS Volleyball	-	5,119	5,119	-
HS Girls Soccer	-	5,536	5,536	-
HS Softball	-	16,207	16,207	-
HS Girls Track	-	2,001	2,001	-
HS Girls Cross Country	-	884	884	-
HS Girls Tennis	-	70	70	-
HS Girls Golf	-	32	32	-
HS Activity Tickets	-	24,456	24,456	-
HS Miscellaneous Activity	-	28,180	28,180	-
Boys Basketball Club	3,048	1,011	489	3,570
HS Football Club	2,442	-	863	1,579
Boys Soccer Club	4,987	5,511	3,992	6,506
Baseball Club	12,180	-	10,378	1,802
Boys Track Club	194	1,893	1,543	544
Cross Country Club	5,762	10,235	11,958	4,039
HS Boys Tennis Club	326	2,473	871	1,928
HS Girls Tennis Club	-	1,554	1,526	28
Boys Golf Club	103	404	416	91
Wrestling Club	188	3,377	3,235	330
Girls Basketball Club	31	1,976	1,960	47
Volleyball Club	913	3,115	1,945	2,083
Girls Soccer Club	838	2,905	2,961	782
Softball Club	4,633	-	3,909	724
Girls Track Club	1,663	1,400	1,737	1,326
Girls Golf Club	51	227	-	278
Drill Team-Forte	4,514	15,507	20,021	-
HS Cheerleaders	940	7,384	5,514	2,810

Schedule 3

**Pella Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2014**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
FFA	10,799	35,343	40,024	6,118
FCS	13,178	6,340	3,671	15,847
Humanities	645	-	-	645
Technology Student Association	5,111	2,042	753	6,400
National Honor Society	226	302	220	308
Pep Club-PAAC	278	-	33	245
HS PE Heart Club	1,496	-	-	1,496
HS Vending	3,842	252	2,813	1,281
HS Testing	9,945	2,622	12,567	-
French Club	1,612	-	-	1,612
Pella Connection Club	1,339	-	-	1,339
HS Student Council	462	4,008	3,452	1,018
Class of 2014	3,592	-	698	2,894
Class of 2015	2,514	3,705	4,380	1,839
Class of 2016	1,787	-	-	1,787
Class of 2017	2,210	-	-	2,210
Class of 2018	-	3,841	3,261	580
Publications	18,420	30,940	42,427	6,933
HS Weight Club	2,439	-	2,439	-
Student Help Center	-	1,235	-	1,235
Interest	1,054	1,020	1,252	822
After Prom Club	3,568	-	17	3,551
Football Parents	702	20,419	18,352	2,769
MS Vocal Music	4,770	10,685	6,501	8,954
MS Instrumental Music	2,842	2,895	1,186	4,551
MS Boys Basketball	-	2,178	2,178	-
MS Football	-	2,472	2,472	-
MS Boys Track	-	696	696	-
MS Wrestling	-	629	629	-
MS Girls Basketball	-	2,103	2,103	-
MS Volleyball	-	2,278	2,278	-
MS Girls Track	-	60	60	-
MS Activity Tickets	-	1,275	1,275	-
MS Library/Book Fair	82	132	-	214
MS History Day Club	21	-	-	21
MS Gifted and Talented	483	-	-	483
MS Publications	647	3,873	3,604	916
MS Student Council	1,451	198	825	824
MS Activity	5,793	3,555	2,435	6,913
MS Home Ec	535	-	399	136
MS Language Arts	112	-	-	112
MS Social Studies	304	-	-	304
MS AR Store	69	-	-	69
Lincoln Elementary	-	1,951	1,951	-
Madison Elementary	2,487	7,292	8,882	897
Jefferson Elementary	-	2,984	2,984	-
Totals	\$ 267,742	860,945	836,451	292,236

See accompanying independent auditor's report.

Pella Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	Total
Assets				
Cash and pooled investments	\$ 2,320,503	109,589	15,876,884	18,306,976
Receivables:				
Property tax:				
Current year delinquent	-	2,974	-	2,974
Succeeding year	-	765,394	-	765,394
Accounts	-	6,500	-	6,500
Due from other governments	572,026	23	-	572,049
Total assets	\$ 2,892,529	884,480	15,876,884	19,653,893
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	99,783	988,963	1,088,746
Total liabilities	-	99,783	988,963	1,088,746
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	765,394	-	765,394
Total deferred inflows of resources	-	765,394	-	765,394
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
School infrastructure	2,892,529	-	14,887,921	17,780,450
Physical plant and equipment	-	19,303	-	19,303
Total fund balances	2,892,529	19,303	14,887,921	17,799,753
Total liabilities, deferred inflows of resources and fund balances	\$ 2,892,529	884,480	15,876,884	19,653,893

See accompanying independent auditor's report.

Pella Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	Total
Revenues:				
Local sources:				
Local tax:				
Property tax	\$ -	716,364	-	716,364
Utility tax replacement excise tax	-	6,889	-	6,889
Mobile home tax	-	418	-	418
	-	723,671	-	723,671
Other local sources:				
Interest on investments	7,660	714	35,077	43,451
Contributions	-	-	25,000	25,000
	7,660	714	60,077	68,451
	7,660	724,385	60,077	792,122
State sources:				
Revenue in lieu of taxes :				
Statewide sales, service and use tax	1,983,485	-	-	1,983,485
Military credit	-	207	-	207
	1,983,485	207	-	1,983,692
Total revenues	1,991,145	724,592	60,077	2,775,814
Expenditures:				
Instruction:				
Regular instruction:				
Property	-	110,069	-	110,069
Total instruction	-	110,069	-	110,069
Support Services:				
Instructional staff services:				
Property	-	109,241	-	109,241
Administration:				
Services	-	-	-	-
Supplies	-	79,043	-	79,043
Property	-	30,024	-	30,024
	-	109,067	-	109,067
Operation and maintenance of plant services:				
Property	-	63,313	-	63,313
Transportation services:				
Property	-	245,702	-	245,702
Total support services	-	527,323	-	527,323
Other expenditures:				
Facilities acquisition and construction:				
Services	1,484	146,726	3,895,802	4,044,012
Property	-	256,216	213,050	469,266
Other	-	1,652	-	1,652
	1,484	404,594	4,108,852	4,514,930
Total expenditures	1,484	1,041,986	4,108,852	5,152,322
Excess (deficiency) of revenues over (under) expenditures	1,989,661	(317,394)	(4,048,775)	(2,376,508)
Other financing sources (uses):				
General obligation bond proceeds	-	-	18,995,000	18,995,000
General obligation bond premium	-	-	192,922	192,922
General obligation bond discount	-	-	(251,243)	(251,243)
Operating transfers out	(1,649,217)	-	-	(1,649,217)
	(1,649,217)	-	18,936,679	17,287,462
Change in fund balances	340,444	(317,394)	14,887,904	14,910,954
Fund balances beginning of year	2,552,085	336,697	17	2,888,799
Fund balances end of year	\$ 2,892,529	19,303	14,887,921	17,799,753

See accompanying independent auditor's report.

Schedule 6

**Pella Community School District
Combining Statement of Net Position
Proprietary Funds
June 30, 2014**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Fund
	Community Services	Nutrition Services	Total	Self-Funded Health Reimbursement
Assets				
Current assets:				
Cash and investments	\$ 15,941	330,661	346,602	98,116
Inventories	-	18,970	18,970	-
Total current assets	15,941	349,631	365,572	98,116
Noncurrent assets:				
Property and equipment:				
Machinery and equipment	-	1,058,282	1,058,282	-
Accumulated depreciation	-	(898,126)	(898,126)	-
Total noncurrent assets	-	160,156	160,156	-
Total assets	\$ 15,941	509,787	525,728	98,116
Liabilities				
Current liabilities:				
Accounts payable	\$ -	190	190	-
Medical claims payable	-	-	-	39,884
Salaries and benefits payable	-	2,648	2,648	-
Total current liabilities	-	2,838	2,838	39,884
Noncurrent liabilities:				
Other postemployment benefits	-	54,962	54,962	-
Total liabilities	-	57,800	57,800	39,884
Net Position				
Net investment in capital assets	-	160,156	160,156	-
Unrestricted	15,941	291,831	307,772	58,232
Total Net Position	15,941	451,987	467,928	58,232
Total liabilities and Net Position	\$ 15,941	509,787	525,728	98,116

See accompanying independent auditor's report.

Schedule 7

Pella Community School District
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Fund
	Community Services	Nutrition Services	Total	Self-Funded Health Reimbursement
Operating revenues:				
Local sources:				
Other local sources:				
Community service tuition and fees	\$ 46,489	-	46,489	-
Sale of lunches and breakfasts	-	663,354	663,354	-
Charges for service	-	-	-	279,031
Other service revenue	3,848	-	3,848	-
Total operating revenues	50,337	663,354	713,691	279,031
Operating expenses:				
Instructional programs:				
Support services:				
Administrative services:				
Services	-	-	-	220,799
	-	-	-	220,799
Non-instructional programs:				
Community service operations:				
Salaries	28,528	-	28,528	-
Benefits	4,730	-	4,730	-
Services	2,375	-	2,375	-
Supplies	10,021	-	10,021	-
	45,654	-	45,654	-
Food services operations:				
Salaries	-	366,645	366,645	-
Benefits	-	146,805	146,805	-
Services	-	27,153	27,153	-
Supplies	-	516,323	516,323	-
Other	-	6,964	6,964	-
Depreciation	-	36,262	36,262	-
	-	1,100,152	1,100,152	-
Total operating expenses	45,654	1,100,152	1,145,806	220,799
Operating income (loss)	4,683	(436,798)	(432,115)	58,232
Non-operating revenues:				
Interest income	42	1,137	1,179	-
Operating grants and donations	-	-	-	-
State lunch and breakfast program claims	-	8,044	8,044	-
National School Lunch Program	-	229,496	229,496	-
School Breakfast Program	-	24,928	24,928	-
Food distribution	-	59,810	59,810	-
Total non-operating revenues	42	323,415	323,457	-
Change in Net Position	4,725	(113,383)	(108,658)	58,232
Net Position beginning of year	11,216	565,370	576,586	-
Net Position end of year	\$ 15,941	451,987	467,928	58,232

See accompanying independent auditor's report.

Schedule 8

Pella Community School District
Combining Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Fund
	Community Services	Nutrition Services	Total	Self-Funded Health Reimbursement
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ -	663,354	663,354	-
Cash received from service tuition, fees and other sources	50,337	-	50,337	279,031
Cash payments to employees for services	(33,258)	(507,366)	(540,624)	(180,915)
Cash payments to suppliers for goods or services	(12,396)	(490,251)	(502,647)	-
Net cash used by operating activities	4,683	(334,263)	(329,580)	98,116
Cash flows from non-capital financing activities:				
Operating grants and contributions	-	-	-	-
State grants received	-	8,044	8,044	-
Federal grants received	-	254,424	254,424	-
Net cash provided by operating activities	-	262,468	262,468	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(4,442)	(4,442)	-
Net cash used by capital and related financing activities	-	(4,442)	(4,442)	-
Cash flows from investing activities:				
Interest on investments	42	1,137	1,179	-
Proceeds from maturity of investments	-	-	-	-
Sale of investments	-	45,585	45,585	-
Net cash provided by investing activities	42	46,722	46,764	-
Net increase (decrease) in cash and cash equivalents	4,725	(29,515)	(24,790)	98,116
Cash and cash equivalents at beginning of year	11,216	356,312	367,528	-
Cash and cash equivalents at end of year	\$ 15,941	326,797	342,738	98,116
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 4,683	(436,798)	(432,115)	58,232
Adjustments to reconcile operating loss to net cash used by operating activities:				
Commodities	-	59,810	59,810	-
Depreciation	-	36,262	36,262	-
Decrease in inventories	-	2,954	2,954	-
Decrease in prepaid expense	-	4,066	4,066	-
(Decrease) in accounts payable	-	(9,539)	(9,539)	-
Increase in medical claims payable	-	-	-	39,884
Increase in salaries and benefits payable	-	2,018	2,018	-
Increase in other postemployment benefits payable	-	6,964	6,964	-
Net cash provided (used) by operating activities	\$ 4,683	(334,263)	(329,580)	98,116

Schedule 8

**Pella Community School District
Combining Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014**

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Fund
	Community Services	Nutrition Services	Total	Self-Funded Health Reimbursement
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:				
Current assets:				
Cash and investments	\$ 15,941	330,661	346,602	98,116
Less items not meeting definition of cash equivalents:				
Investments	-	(3,864)	(3,864)	-
Cash and cash equivalents at year end	<u>\$ 15,941</u>	<u>326,797</u>	<u>342,738</u>	<u>98,116</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received federal commodities valued at \$59,810.

See accompanying independent auditor's report.

Schedule 9

Pella Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 11,128,270	12,176,769	11,418,696	10,462,055	10,316,935	9,924,433	8,759,431	8,331,502	8,227,665	7,744,098
Tuition	863,556	894,493	880,470	662,720	696,529	614,100	498,004	623,795	592,952	601,419
Other	1,314,524	1,109,041	1,193,265	1,234,151	1,065,637	948,695	1,041,828	1,358,267	1,501,637	755,499
Intermediate sources	-	-	30,346	29,017	54,462	41,897	18,785	37,523	18,082	15,000
State sources	13,769,315	11,542,976	11,393,402	10,597,204	8,834,772	10,489,005	10,318,253	9,168,676	8,531,765	7,999,448
Federal sources	717,096	559,196	677,010	1,482,236	1,014,007	717,166	477,670	424,983	521,521	430,845
Total	\$ 27,792,761	26,282,475	25,593,189	24,467,383	21,982,342	22,735,296	21,113,971	19,944,746	19,393,622	17,546,309
Expenditures:										
Instruction:										
Regular	\$ 9,651,743	9,841,345	8,595,515	8,252,456	8,120,373	8,052,519	7,476,168	6,830,022	6,329,880	6,275,810
Special	3,013,007	2,850,721	2,643,627	2,480,176	2,361,109	2,332,868	2,344,069	2,028,208	1,781,523	2,183,808
Other	3,376,859	3,054,646	2,994,676	3,169,367	2,708,732	2,273,264	2,001,692	1,961,808	1,922,355	1,207,063
Support services:										
Student	495,077	506,928	394,164	365,025	385,386	412,003	386,123	302,002	306,129	325,470
Instructional staff	1,315,534	1,137,848	1,241,138	958,151	676,907	661,268	753,039	762,889	809,570	794,337
Administration	1,799,779	1,821,709	1,949,057	1,626,341	1,954,006	1,737,873	1,634,630	1,462,779	1,643,583	1,284,737
Operation and maintenance of plant services	2,260,583	2,156,112	1,954,464	1,904,435	1,759,611	1,809,861	1,847,350	1,706,062	1,675,658	1,489,740
Transportation	1,167,440	1,084,364	845,468	901,297	992,893	1,031,167	1,113,573	1,130,895	1,028,477	693,693
Non-instructional programs	-	-	-	-	-	-	-	-	-	296
Other expenditures:										
Facilities acquisition	4,514,930	164,600	304,445	390,406	2,972,609	1,989,527	2,849,534	9,094,847	4,020,376	1,760,941
Long-term debt:										
Principal	2,838,744	2,054,319	1,685,000	1,610,000	1,460,000	4,265,000	1,170,000	1,115,000	1,070,000	995,000
Interest and other charges	958,370	791,556	764,835	696,153	757,001	772,857	833,430	891,941	931,550	386,050
AEA flowthrough	868,667	832,321	818,473	887,814	856,878	781,173	732,846	660,488	610,764	586,232
Total	\$ 32,260,733	26,296,469	24,190,862	23,241,621	25,005,505	26,119,380	23,142,454	27,946,941	22,129,865	17,983,177

See accompanying independent auditor's report.

Schedule 10

**Pella Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2014**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 14	\$ 24,928
National School Lunch Program	10.555	FY 14	289,305 *
			<u>314,233</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 14	<u>125,056</u>
Vocational Education - Basic Grants to States	84.048	FY 14	<u>28,649</u>
Improving Teacher Quality State Grants	84.367	FY 14	<u>53,003</u>
Grants for State Assessments and Related Activities	84.369	FY 14	<u>12,348</u>
Area Education Agency (AEA 11):			
Special Education - Grants to States	84.027	FY 14	<u>178,821</u>
Total			<u>\$ 712,110</u>

* Includes \$59,810 of non-cash rewards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Pella Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of Pella Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Pella Community School District, Pella, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pella Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pella Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pella Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pella Community School District's Responses to Findings

Pella Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pella Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pella Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 3, 2014



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control over Compliance Required by OMB Circular A-133**

To the Board of Education of Pella Community School District:

Report on Compliance for Each Major Federal Program

We have audited Pella Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Pella Community School District's major federal programs for the year ended June 30, 2014. Pella Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pella Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pella Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pella Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Pella Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Pella Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pella Community School District's internal control over compliance with type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

Pella Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Pella Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 3, 2014

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.010– Title I to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pella Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

- II-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, expenditures are recorded and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I to Local Education Agencies
Federal Award Year: 2014
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-14 Certified Budget - Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts in the instruction and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted

IV-B-14 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

Pella Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

IV-D-14 Business Transactions - Business transactions between the District and District officials or employees for the year ended June 30, 2014 are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Emmert, Teacher Owner of Dr. E, Unlimited	Sound Tech Services	\$ 502

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-14 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-14 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

Pella Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,552,085
Revenues/transfers in:			
Sales tax revenues	\$	1,983,485	
Other local revenues		7,660	
Capital lease		-	1,991,145
			<u>4,543,230</u>
Expenditures/transfers out:			
Construction services		1,484	
Transfers to other funds:			
Debt service funds		1,649,217	1,650,701
			<u>1,650,701</u>
Ending balance		\$	<u>2,892,529</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.